



RHEINMETALL AG



THE TECHNOLOGY GROUP FOR SECURITY AND MOBILITY

Conference Call H1 2016

Düsseldorf | August 4, 2016



Highlights H1 2016

Increased sales, strong order backlog, earnings progressing

Sales	Increased by 9%, FX-adjusted by 10%
Order backlog	Further increase from EUR 7.1 billion to EUR 7.3 billion
Earnings	Up to EUR 103 million, margin raised from 3.3% to 4.0%
Automotive	Solid Q2 overcompensates sales decline of Q1
Defence	Strong upswing in sales and again strong order intake in Q2
Outlook	Confirmed for group and segments



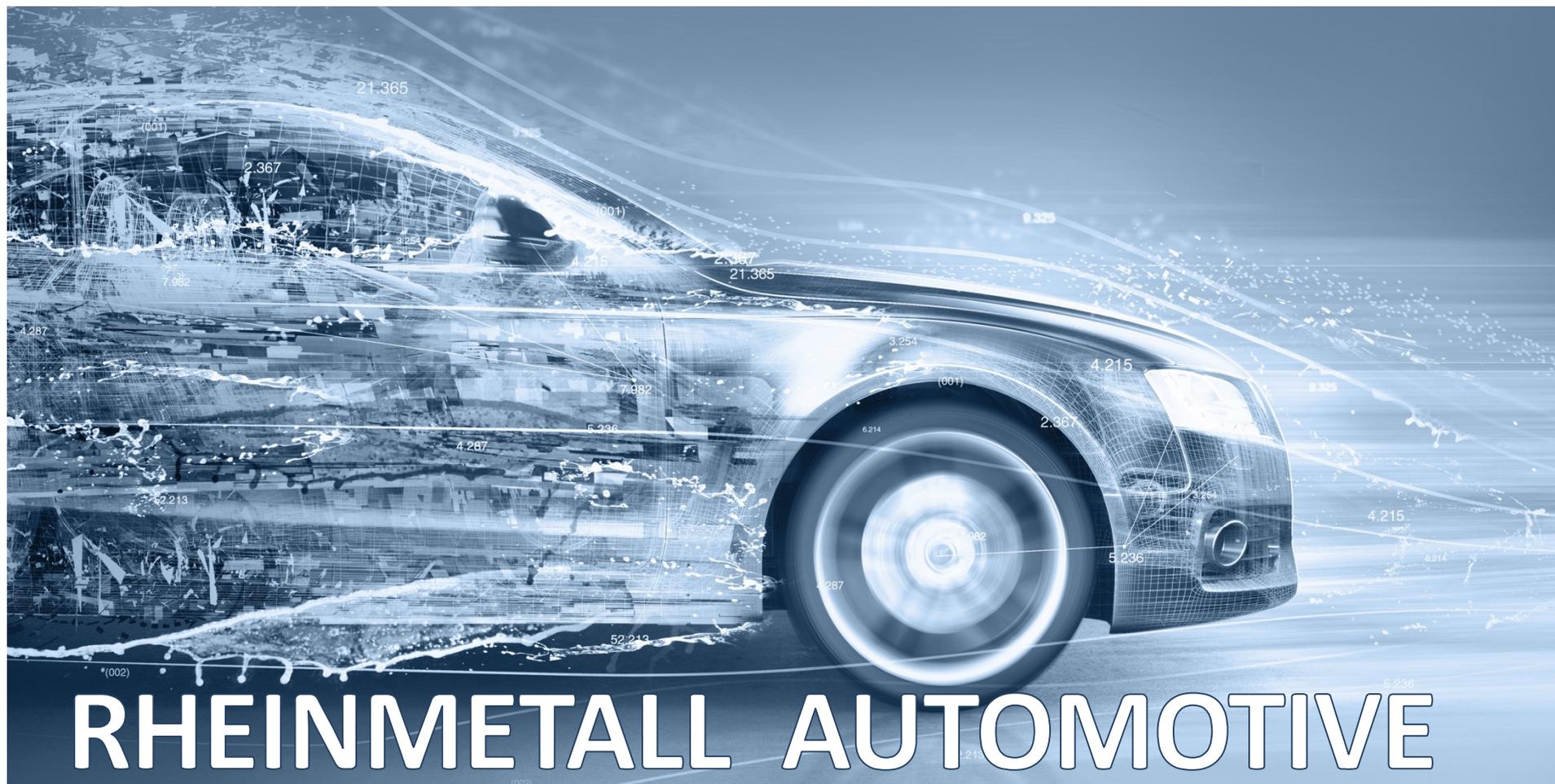
Key figures H1 2016

<i>in EUR million</i>	H1 2015	H1 2016	Δ H1 2016/ H1 2015	
Sales	2,394	2,599	+ 205	+ 9%
EBITDA	177	212	+ 35	+ 20%
Operational earnings	79	103	+ 24	+ 30%
EBIT (reported)	79	103	+ 24	+ 30%
EBIT margin <i>in %</i>	3.3	4.0	+ 0.7pp	
EBT	48	75	+ 27	+ 56%
Group net income	34	53	+19	+56%
Earnings per share <i>in EUR</i>	1.03	1.26	+ 0.23	+ 22%
Free cash flow from operations	- 279	-338	- 59	- 21 %
Employees (June 30)	20,642	20,954	+312	+ 2%



Key figures Q2 2016 per segment

Rheinmetall Group <i>in EUR million</i>	Q2 2015	Q2 2016	Δ Q2 2016 /2015	
Sales	1.221	1.419	+ 198	+ 16%
EBITDA	106	126	+ 20	+ 19%
EBIT (reported)	57	72	+ 15	+ 26%
EBIT margin <i>in %</i>	4.7	5.1	+0.4pp	
Automotive				
Sales	676	695	+ 19	+ 3%
EBITDA	87	91	+ 4	+ 5%
EBIT (reported)	59	60	+ 1	+2%
EBIT margin <i>in %</i>	8.7	8.6	- 0.1pp	
Defence				
Order intake	693	803	+110	+16%
Sales	545	724	+ 179	+ 33%
EBITDA	22	41	+ 19	+ 86%
EBIT (reported)	1	19	+ 18	+ 1800%
EBIT margin <i>in %</i>	0.2	2.6	+ 2.4pp	



RHEINMETALL AUTOMOTIVE



Highlights H1 2016

Automotive gaining momentum after a soft start into the year

Sales	▶	Growth in Q2 stabilizes H1 sales slightly above previous year's level
New orders	▶	Ramp-up of new products begin to show positive topline impact
Earnings	▶	Margin of 8,6% in Q2 reached again the high level of the previous year
China	▶	Solid at-equity contribution from JVs in China



Key figures H1 2016

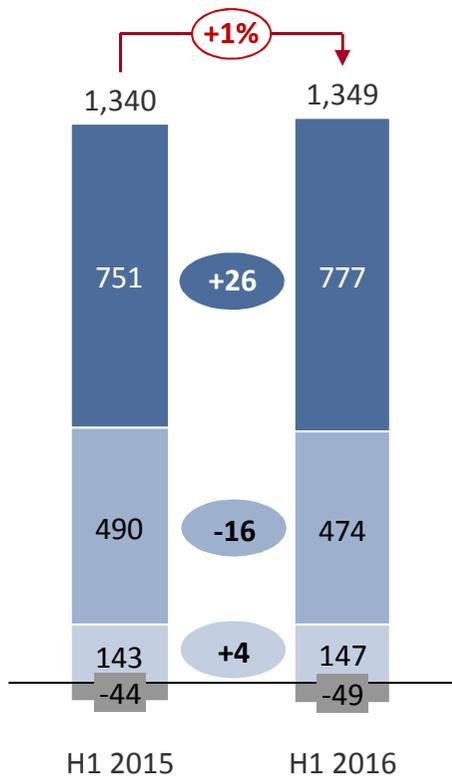
<i>in EUR million</i>	H1 2015	H1 2016	Δ H1 2016 /2015	
Order intake	1.320	1.304	- 16	- 1%
Order backlog (June 30)	397	401	+4	+1%
Sales	1.340	1.349	+9	+1%
EBITDA	170	176	+6	+ 4%
EBIT	114	112	- 2	- 2%
EBIT margin <i>in %</i>	8.5	8.3	- 0.2pp	
Free cash flow from operations	15	-88	- 103	
Employees (June 30)	11,066	10,941	- 125	- 1%



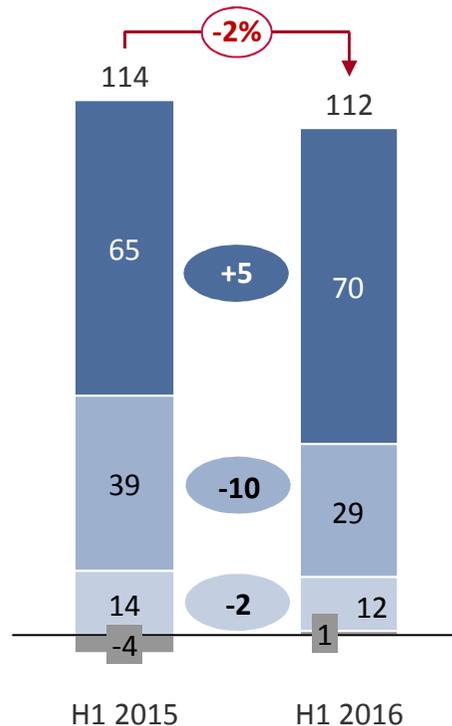
Sales growth in Mechatronics continues

Strong Q2 shift sales and earnings in H1 on previous year's level

Sales Automotive in EUR million



Operational earnings Automotive in EUR million



Reasons for earnings development

Mechatronics

— Strong sales drive margin

Hardparts

— Decline of sales and earnings in Brazil and in the large-bore piston business

Aftermarket

— Start-up costs of new factory in Ustí/CZ

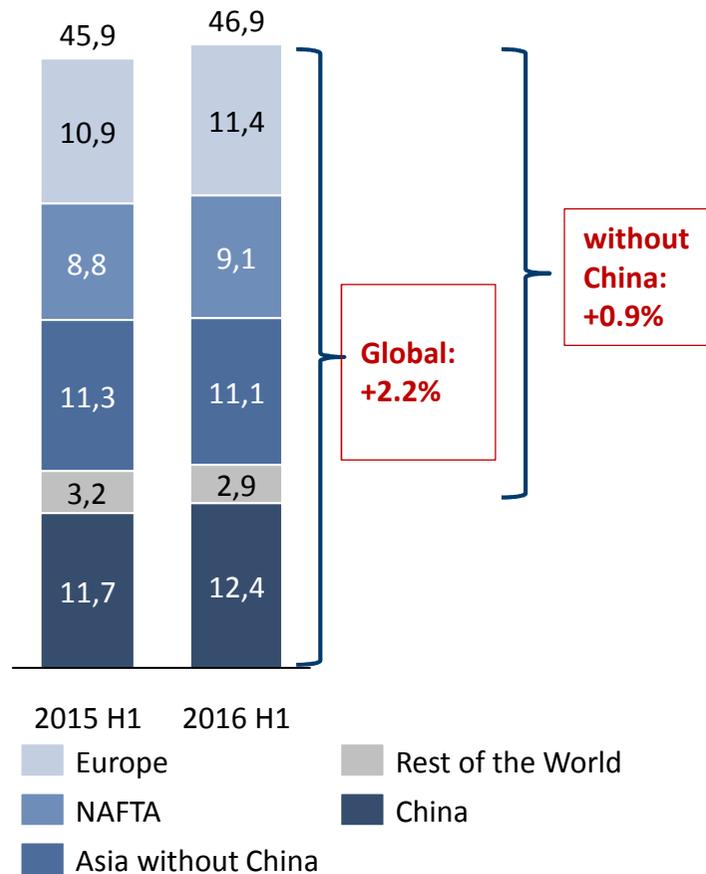
■ Mechatronics ■ Aftermarket
■ Hardparts ■ Consolidation



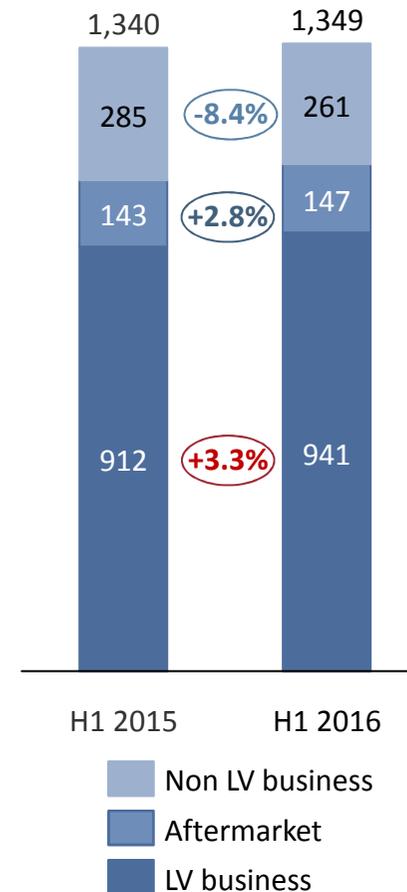
Automotive LV sales development

H1 LV-sales above growth of global LV production

Global LV production
in million units



Sales Automotive LV/Non-LV
in EUR million



Source: IHS Automotive, July 2016



RHEINMETALL DEFENCE



Highlights H1 2016

Strong performance in orders, sales and earnings

Order intake	▶	Soared by roughly EUR 500 million pushing the book-to-bill ratio to 1.4
Order backlog	▶	Increased to EUR 6.9 billion
Sales	▶	Up by EUR 200 million or 19%
Earnings	▶	Trend of improving earnings continues; with H1 Defence is reaching the profit zone
New products	▶	Launch of several new products on the Eurosatory fair in Paris, e.g. tracked vehicle Lynx and 130mm cannon



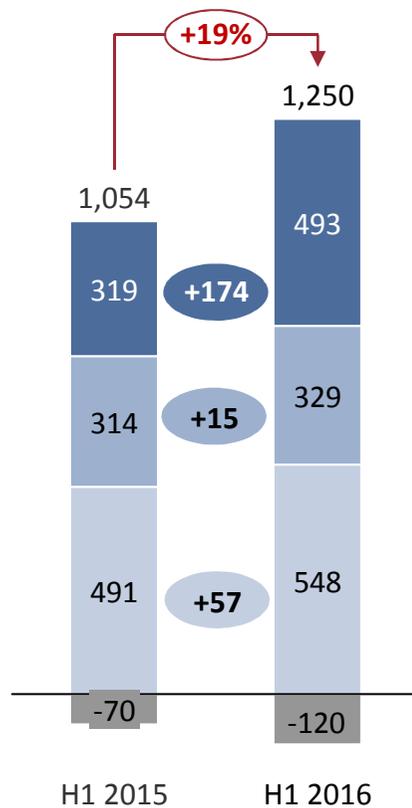
Key figures H1 2016

<i>in EUR million</i>	H1 2015	H1 2016	Δ H1 2016/2015	
Order intake	1,235	1,751	+ 516	+ 42%
Order backlog (June 30)	6,728	6,905	+ 177	+ 3%
Sales	1,054	1,250	+ 196	+ 19%
EBITDA	15	46	+ 31	+ 207%
EBIT	- 27	+2	+ 29	- 107%
EBIT margin <i>in %</i>	- 2.6	+0.2	+ 2.8pp	
Free cash flow from operations	- 279	- 221	+ 58	+ 21%
Employees (June 30)	9,422	9,857	+ 435	+ 5 %

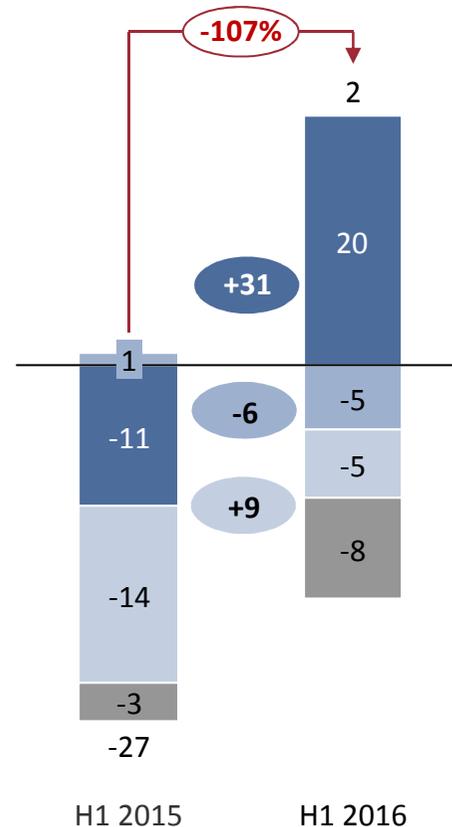


Sales increase in all divisions H1 earnings significantly improved

Sales Defence in EUR million



Operational earnings Defence in EUR million



Reasons for earnings development

- Weapon and Ammunition**
 - Higher sales in all business units
- Electronic Solutions**
 - Less favorable product-mix
- Vehicle Systems**
 - Higher sales, e.g. Puma and better capacity utilization

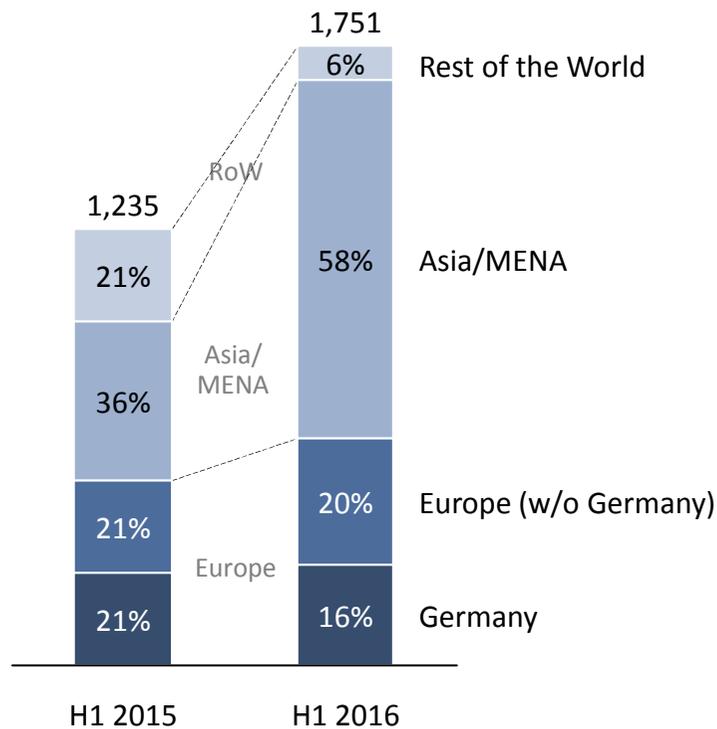
■ Weapon and Ammunition
 ■ Electronic Solutions
 ■ Vehicle Systems
 ■ Others/Consolidation



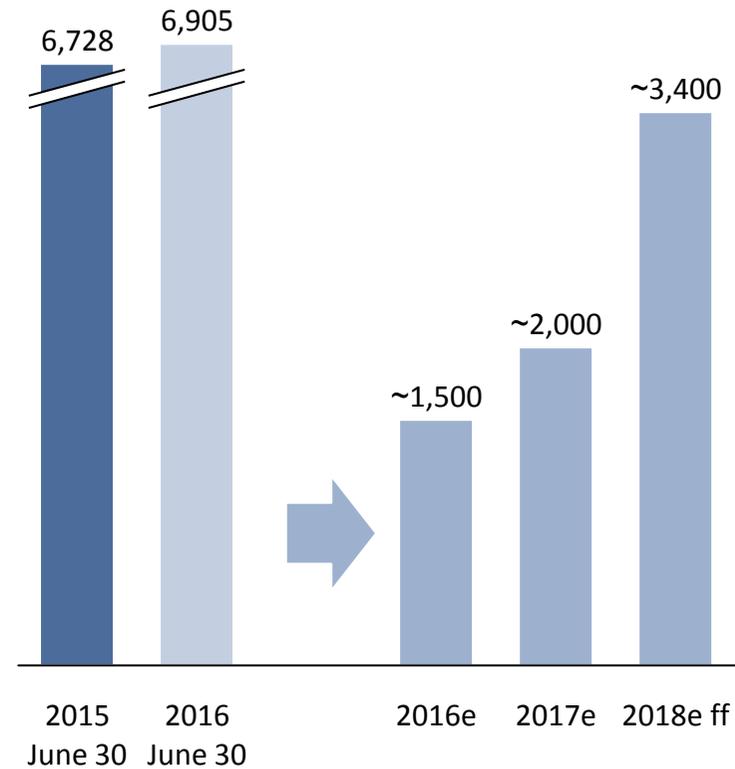
Increasing share of non-European order intake

High order book coverage of mid-term future sales

Order intake by region in EUR million



Order backlog ... turning into sales in EUR million

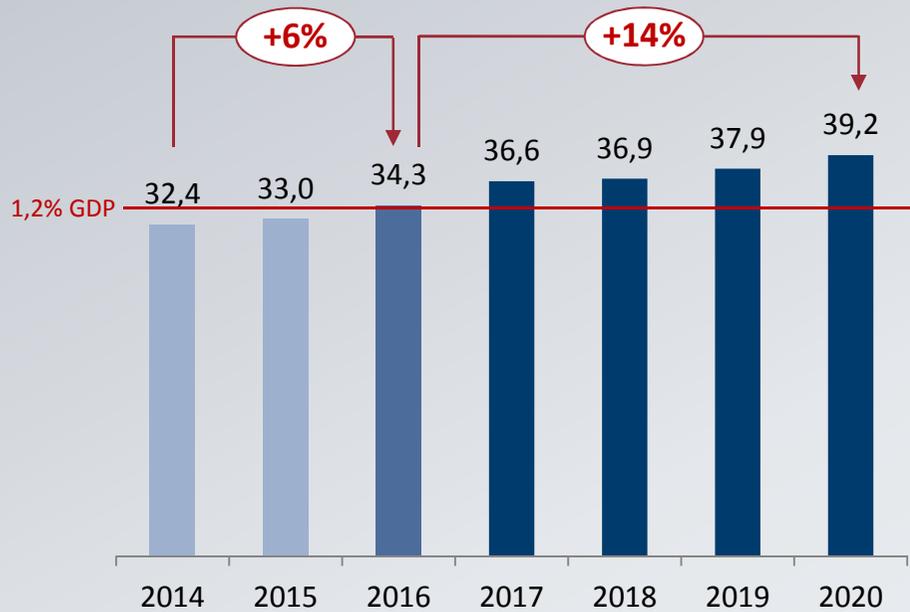




Positive macro picture for defence industry

Rising defence budgets in NATO countries

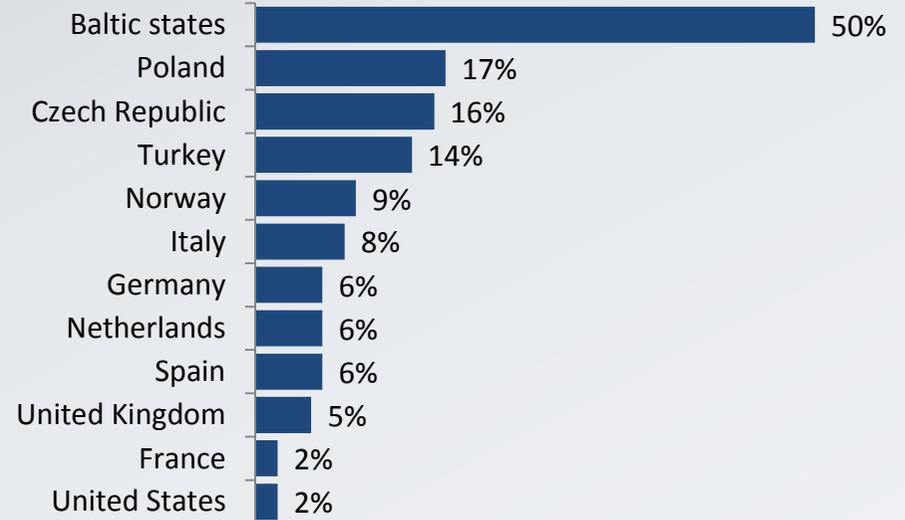
German defence budget 2014-2020 in EUR billion



Source: Federal Ministry of Finance, Federal budget 2017

Increase of defence expenditures of NATO countries from 2014 to 2016 in %

Increasing budgets in 22 of 28 NATO countries



Source: NATO, Defence Expenditures of NATO Countries 2016





Short-term perspective Outlook fiscal year 2016 confirmed

		Sales in € billion		Operational margin	
		2015	2016	2015	2016
	Group	5.2	~ 5.5	5.5%	~ 6%
	Defence	2.6	~ 2.8	3.5%	4.5-5%
	Automotive	2.6	~ 2.7	8.3%	~ 8%

Assumptions

- Key large-scale projects in Defence to be realized as scheduled, no significant one-offs
- Global automotive industry growing as forecast



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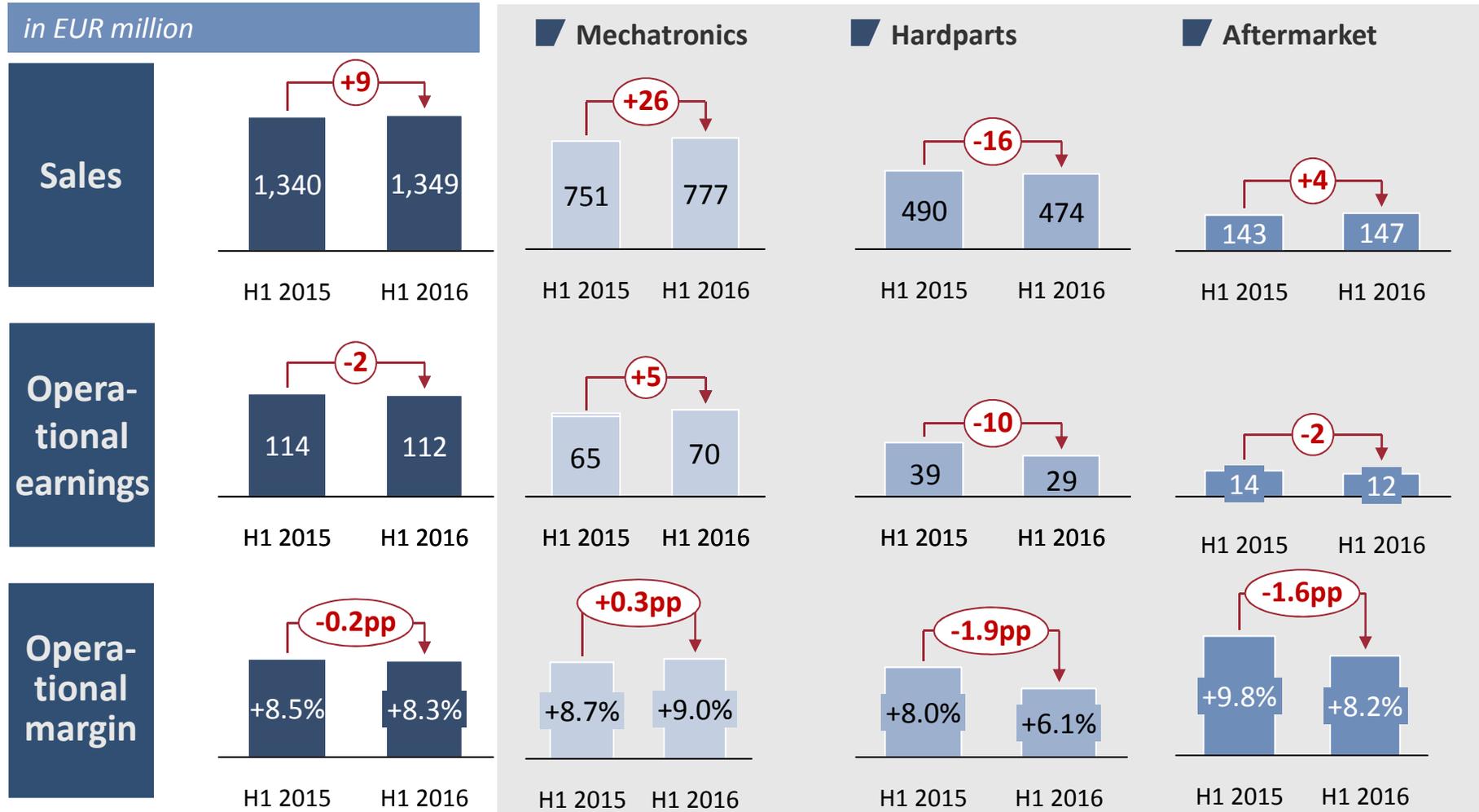
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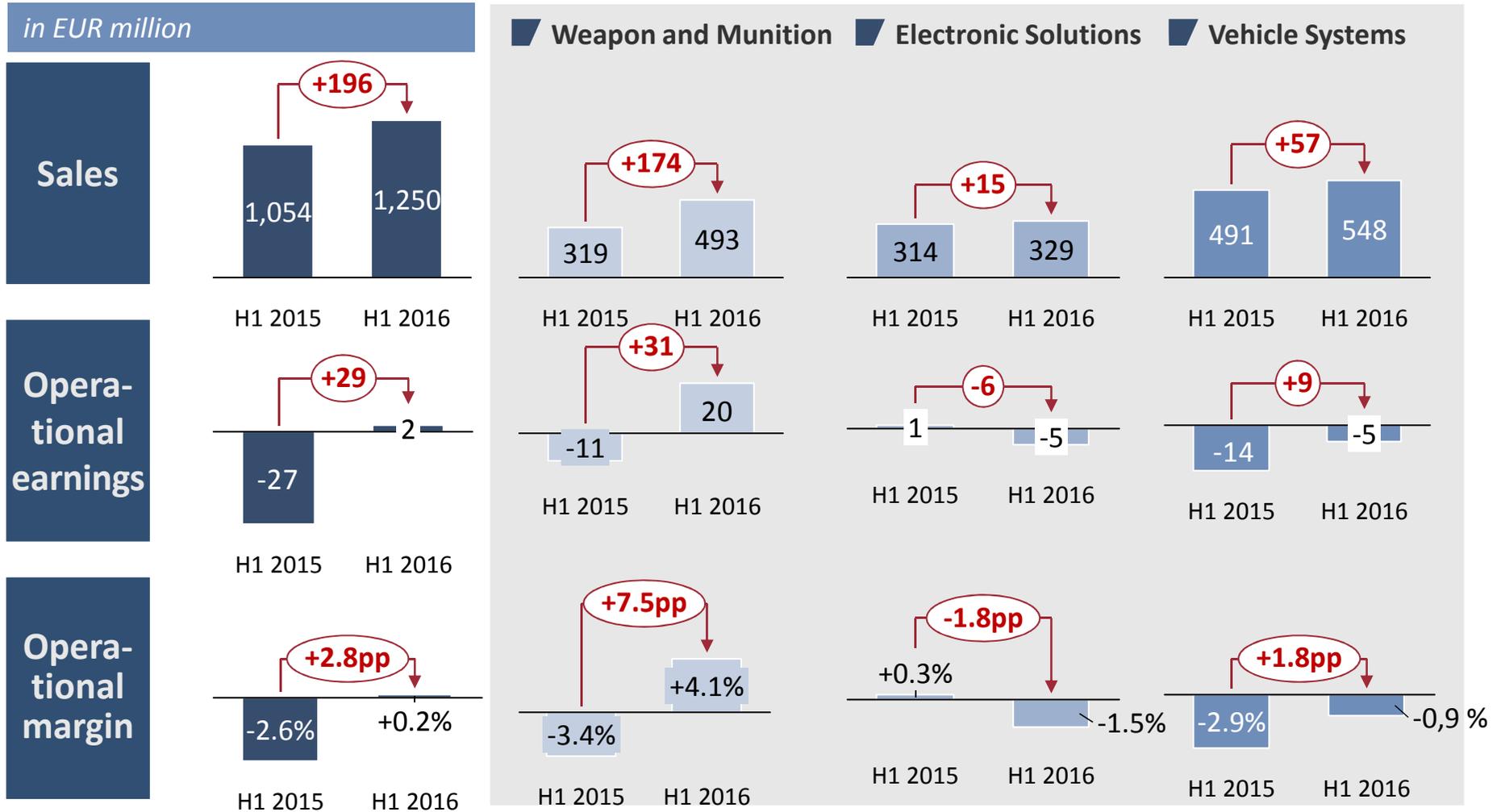


Key figures by division: Automotive





Key figures by division: Defence



Figures before intrasegmental consolidation



Cash flow statement: Group

<i>in EUR million</i>	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Δ Q2 2016/2015
Group net income	5	29	30	96	12	41	+ 12
Amortization / depreciation	49	50	49	55	55	54	+ 4
Change in pension accruals	0	1	0	2	-16	2	+ 1
Cash flow	54	80	79	153	51	97	+ 17
Changes in working capital and other items	- 202	- 100	8	267	-262	- 112	- 12
Net cash used in operating activities	- 148	- 20	87	420	- 211	- 15	+ 5
Cash outflow for additions to tangible and intangible assets	-56	- 55	- 78	- 121	- 52	- 60	- 5
Free cash flow from operations	- 204	- 75	9	299	- 263	- 75	± 0



Cash flow statement: Automotive

<i>in EUR million</i>	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Δ Q2 2016/2015
Net income	40	43	35	43	38	42	- 1
Amortization / depreciation	28	28	28	32	33	31	+ 3
Change in pension accruals	0	0	-2	0	0	0	± 0
Cash flow	68	71	61	75	71	73	+ 2
Changes in working capital and other items	- 60	4	40	23	- 178	14	+ 10
Net cash used in operating activities	8	75	101	98	- 107	87	+ 12
Cash outflow for additions to tangible and intangible assets	- 34	- 34	- 46	- 72	- 32	- 36	- 2
Free cash flow from operations	- 26	41	55	26	- 139	51	+ 10



Cash flow statement: Defence

<i>in EUR million</i>	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Δ Q2 2016/2015
Net income	- 30	- 8	3	67	- 20	3	+ 11
Amortization / depreciation	21	21	21	22	22	22	+ 1
Change in pension accruals	0	3	2	3	1	2	- 1
Cash flow	- 9	16	26	92	3	27	+ 11
Changes in working capital and other items	- 142	- 112	- 25	212	- 90	- 123	- 11
Net cash used in operating activities	- 151	- 96	1	304	- 87	- 96	± 0
Cash outflow for additions to tangible and intangible assets	- 17	- 15	- 26	- 38	- 17	- 21	- 6
Free cash flow from operations	- 168	- 111	- 25	266	- 104	- 117	- 6